

THE YEAR IN NUMBERS ▶▶

ANNUAL REPORT 2009

Insurance Australia Group Limited ABN 60 090 739 923



CHAIRMAN'S FOREWORD

Welcome to the Insurance Australia Group (IAG) 2009 annual report.

This report includes IAG's full statutory accounts, along with the directors', remuneration and corporate governance reports.

Please read the annual report together with the 2009 annual review, which provides IAG's operational performance, relating to financial and non financial measures. If you have not received IAG's annual review, an interactive version is available at www.iag.com.au/results or you can request a copy to be posted by contacting IAG's share registry. Please see the inside back cover for contact details.

FINANCIAL PERFORMANCE

IAG delivered an encouraging improvement in its financial performance during the 2009 financial year, despite the adverse influence of unprecedented volatility in financial markets, including a steep decline in interest rates, and high claim costs from natural perils.

The Group's revenue, measured by gross written premium, increased during the year from \$7,793 million to \$7,842 million. The insurance margin was 7.1%, up from 5.4%, and net profit after tax was \$181 million, compared with net loss of \$261 million recorded in the previous year.

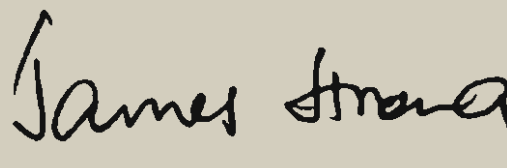
The improvement in these results reflects the early benefits of the Group's refined strategy, which we announced in July 2008.

DIVIDENDS

A fully franked final dividend of 6 cents per ordinary share (cps) will be paid on 2 October 2009. This brings the total dividend for the year to 10cps, fully franked. This is in line with the board's policy to distribute 50%–70% of cash earnings in dividends.

OUTLOOK

The 2009 financial year has been a challenging but productive year. Despite external volatility, I am confident that the improvements evident in our underlying performance will continue in the year ahead and deliver stronger returns for shareholders.



James Strong
Chairman

**A CLEAR
DIRECTION ▶▶**

ANNUAL REVIEW 2009

Insurance Australia Group Limited ABN 60 000 730 523

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OUR MAJOR BRANDS



Australia



New Zealand



United Kingdom



Asia



100% owned unless indicated. ¹ RACV is via a distribution relationship and underwriting joint venture with RACV Ltd.
² 98% voting rights. ³ 49% ownership of AmG Insurance, which is part of AmAssurance.



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